LIBRARY
OF THE
UNIVERSITY OF CALIFORNIA.
GIFT OF
Anonymous
Received OCT 5 1892, 189
Accessions No. 48781 Shelf No.

Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation

http://www.archive.org/details/natureofvaluewit00starrich

NATURE OF VALUE

WITH

CRITICISMS OF CURRENT OPINIONS

ON THE

MONEY QUESTION.

BY

E. D. STARK.

From the CLEVELAND PLAIN DEALER, December 4, 1887.

CLEVELAND, O.:
PLAIN DEALER PUBLISHING CO., PRINTERS,
1887.

In the June number, 1885, of the North American Review were published some papers by Professor Laughlin and others on the money question. The professor had before that made a book on bimetallism, rather loudly parading the fall of silver since demonetization as evidence of inherent unfitness of that metal for standard money. In the Index of the same year I took occasion to point out certain elementary errors in the professor's assumptions that made all his reasoning vain. He has resumed the discussion in the April number of the Quarterly Journal of Economics, wherein, indeed, is shown some progress of opinion, but still, as is plain to me, inveterate misconceptions that unfit him for any discussion of the subject. I undertake to make it so appear to the thoughtful reader. I make the Journal article my text, because it is an admirable instance, so unconscious, too, of the prevalent incompetence. We catch there a capital error in the very act of making foolishness of an extensive and well-meant literary effort.

It begins to dawn on the professor's mind that the fall of price of silver carries wider implications and significance than concerns producers of and dealers in bullion. It begins to be dimly seen that that fall may be a pointer, a minor instance, of the universal calamitous and parallel fall of all prices, especially of the food and fabric staples.

In the outset of his article he properly enough, though somewhat shamblingly, defines value, affirming it to be a ratio, a relation between different economic quantities, but his grip upon the definition is very feeble and infirm; and the critical reader soon sees it is on his lips merely, and not in his heart—that it has not become organic and regulative in his thinking.

Such a sentence as this: "Whether gold has risen relatively to all commodities from causes affecting gold itself," etc., gives him dead away. It could never emanate from a mind well grounded in the definition or having any intellectual trenchancy as to the nature of value. It will repay the thoughtful reader to analyze the thinking implied in such a sentence. By "risen" he means, of course, risen in value. The phrase "relative to all commodities," I should not comment on if it were only superfluous; but it is not merely pleonastic, it is positively vicious, because it implies that gold might rise quite outside of a relation to commodities. I say it is unpardonably vicious in a professor of Economics in that it fosters that central misconception, which is the queen bee in the teeming hive of popular error on the whole subject. By affecting gold itself he cannot mean affecting it in respect to its color, specific gravity, chemical reactions, weight of coins, or quantity above ground. All these affections are way off. He must mean affecting gold itself in respect to its value. Very well.

Now suppose that by reason of improvement in the arts and appliances of production, or for that matter for any conceivable reason, it comes to pass that double the quantities of goods are offered for sale, and so a unit of money will buy twice as much of vendible things as formerly, is it not plain that gold itself has been affected in the very and only respect pertinent to the discussion, viz., in its value? A dollar will buy more. For goods to be plenty and low in price is the same fact as for money to have a greater power over commodities. If wheat from a dollar falls to 50c as the price of a bushel, the same breath which affirms that fall in price, affirms a change in the market relation of money—affirms that in the wheat market the value of money has doubled. Price is the value of things expressed in money and a bushel of wheat cannot fall 50 per cent. in price only as a unit of money doubles in wheat value, and if the same fall supposed in respect to wheat, is affirmed as having taken place in the large aggregate average of commodities; that is, if prices have all along the line fallen one-half, then no matter what one's theory of causes may be the confessed fact is that money has doubled in value, for value is the rate at which things swap; it is a ratio between two things, and when the ratio or rate changes, it changes the rate of one exactly as it does the other, only in the opposite direction. The custom of computing value and value change in terms of money does not alter that bottom principle at all. It ought not to obscure it either with a student.

"Practical" people, whose training is in a counting house or in financiering, understand but one mode of expressing value and that is in terms of money—price—and they are all at sea when the question of the value of money itself comes up, whether or not it has changed, and if so, in what direction and how much. They can only with great difficulty be made to understand that a change in the price of goods *is* a change in the value of money—necessarily so.

For the purpose of illustrating this absolute mutuality in the measuring office of the two terms in every swap, and the inherent relativity of value, I devised and propounded this conundrum in regard to wheat and corn. Last year their swapping rate was one bushel of wheat to two of corn, and this year their market equivalence is, say, bushel for bushel. Now, what within the range of my problem has been the per cent. of change in the value of wheat and what of corn from last year to this? After two protracted arguments with a banker reputed exceptionally bright and well informed in economics and per cents. he still insisted that it was not possible that wheat had fallen 50 per cent. *and* corn risen 100. One or the other might be, but not both. He further declared the problem essentially foolish and irrational since it furnished no "standard"—no price. He could see how the eaves might be 40 feet above the sidewalk or the sidewalk 40 feet below the eaves, but not both, for that would make 80 feet. His notion was that having a "standard" made that standard fixed in respect to economic value; something as a sea level is a fixed standard of elevation from which all ups and downs can be computed. He could not be made to see that the nature of value precluded any fixity in that sense, and that swapability was of the very essence of value and that in every act and fact of swapping each term measured the other necessarily, and that we were shut in absolutely to the one mode of ascertaining the value of athing, and that is to find how it swaps for something else. The conception of value never emerges in thought only when an exchange is thought of, and when a bushel swaps for a unit of money, that is a determination then and there of the money unit precisely as it is of bushel in respect to their value. My friend's case was the very common one of a bright mind cramped by business habit into a conventional groove that unfitted it for grasping the purely relational nature of value. That imbecility finds expression daily in pamphlet, periodical and parliament. Only the other day Lord Salisbury on his feet said: "There has been no rise in the value of gold (money). The great fall of prices is due to, etc." In the name of all economists from Aristotle down to Harvard, pray, what else can a rise in the value of gold be? How could it be constituted, how found out, except as being a fall in the prices of commodities? When you say a money unit will buy more goods than formerly you say money has risen in value. One is tempted to ask his lordship, suppose gold should double in value over night, how could it show it? Why, your lordship could not find it out by fumbling a guinea in your pocket or by any chemical test.

If, however, you should take your guinea and your basket and go out and find that you could fill it by spending half the money required to fill it yesterday, it would look as though something had happened. Then if consulting the market reports you found prices all along the line had fallen onehalf, you could affirm without fear of contradiction by any one but a fool that verily gold had doubled in value. I repeat, value is a market fact. No need to study statistics of production or enter into an analysis of the economic effect of the Suez canal. It is simply a question of how, as a matter of fact, do things exchange; what is their swapping rate. Utility is not value nor is it necessary to value, for many things that are very useful—indispensable—have no value, and many inutile and even hurtful things are valuable. Embodied labor is neither a criterion of amount of value nor is it essential to value at all, for much labor often goes into things that are valueless, and things into which little or no labor enters often are very valuable. Value is a market fact purely and lies in estimation. When owners of different things come to an agreement upon the rate at which they will trade, then each term becomes and is the value of the other. When several trades take place at the same rates, we have a general market value. It is not something in the air, but is the very thing swapped, which by the fact of being brought in that market relation becomes and is the value each of the other. It only needs to study just what takes place when a swap is made to understand how value is constituted. It is a word of relation, and, like every other word of relation, if used with reference to one thing without definitely implying the other related term it is vacated of all meaning, and talk becomes twaddle. To say John is like—is equal to—is bigger than—leaving the mind blank as to the other related term, empties the words of all sense. So to speak of value without indicating *in what*, reveals a mind innocent of economic intelligence. The constant recurrence of that innocence and emptiness in congress, convention and common talk puts a great strain on one's patience

where great public concerns are involved. Its recurrence in the newspapers may be tolerated when we consider it is their business to "pronounce blatant judgments, unashamed, on all subjects all day long." But such an elaborate and learned exhibition of that imbecility from a Harvard professor deserves a severer rebuke than is compatible with good form.

See it again in the article under review in this: "To assume that because the fall of prices coincided with demonetization, it was due to appreciation of gold (money) without considering * * * causes," etc. Why fall of prices is not "due" to appreciation of money, nor appreciation of money due to fall of prices. These two things are not causally related. They are not two things at all. They are identically one and the same thing. They constitute one unwedgable fact. You cannot think them apart, and for one to say he can, reveals a thinker sadly in need of repairs. Any talk which assumes fall of prices and appreciation of money as cause and effect, as "due" one to the other, or as anything other than as different modes of stating the same fact, is sterile and vacuous discourse, and a professor that perpetrates such stuff deserves—what shall I say? —a horse pond!

My buying your horse is not due to your selling him to me, nor your selling to my buying. They are not two separable transactions at all, and one who treats my buying and your selling as independent, unrelated transactions, not only does not know the meaning of the familiar words he uses, but has no competent understanding of the subject matter to which the words relate. John's marrying Jane is not due to her marrying him or being married by him. It is, of course, competent for me to state the fact of their intermarriage in a mode which puts her as the agent and him the patient, or him as the agent and her as the patient. If I state it both ways I do not enlarge the information given. Should I proceed then, having stated it in both ways, to raise the question whether his marrying her was or was not due to her marrying him my talk would be accounted mildly idiotic, but it would not be one whit more inane and vapid than to talk about the fall of prices being "due" to appreciation of money. This is darker than that, because that is lighter than this, or maybe that is the reason, and maybe not! It is a profound query and we must study "causes." Eight is less than ten, because ten is more than eight, or perhaps ten is less than eight and eight is "just the same." Such fatuous puerilities are in all seriousness put upon a patient public by a Harvard professor as economic profundities elucidative of the present stringency in the business world!

When I say that a ton, a bushel, yard, acre, etc., of any vendible thing exchanges for less money than formerly—has fallen in price, I need not add that a money unit will swap for more of those things—has risen in value—in purchasing power or command over commodities, or that money has risen—for purchasable things are absolutely the only *other* that can constitute the second term in the relation which price is. Whatever a dollar will buy anywhere and everywhen is there and then its value, and if it will buy any more things generally, especially of the great staples, then the dollar has become more valuable, has appreciated; and since under free coinage of gold, a dollar will be always the market equivalent of the gold in it, gold rises as money rises and falls with it.

It is a silly superfluity therefore to add that gold has appreciated, having stated that prices have fallen. It is a sodden stupidity to deny it. But our professor treats those two statements, appreciation of money and fall of prices, as independent existents open to independent treatment, and that vendible things may have all fallen in price without any change in the value of money; money may have remained "just the same, 100 cents to the dollar."

To use the illustration of that ablest economic writer, living or dead, who, in my humble judgment, has for the first time laid the foundation for economic science at all, properly speaking, by giving to its leading terms precise, clear and pertinent definitions —to use the illustration of Professor H. D. Macleod, "The train's distance has changed, but the distance of the station remains just the same." The swapping rate of goods for money has changed 30 per cent., but swapping rate of money for goods is the same as it was!

Expose that nonsense as often as you will, it bobs up again in high places and low; to stultify and obfuscate the current thinking. Hence my excuse for expounding and illustrating its emptiness with a wearying redundancy. Better be tedious here than to leave any lurking

place for that contemptible and pretentious imbecility; for this is not a criticism of words merely. Far from it. It goes down to the prolific source of all the great errors of conclusion and practice on the money question.

Let a tailor take the notion that not a comfortable and accustomed adjustment, but some fixed size of coat, constituted its fit, he would insist, when you have outgrown your coat, that its fit had remained just the same, but that the fit of your chest and shoulders had changed. Such a putting of the discomfort you were in would imply one of only two things to be done - bear your discomfort or deplete your body. If in such a case, while exuberant health and vitality was giving expansion to your chest and muscles, you found he had been putting in some wire bands or other arbitrary strictures to a natural expansiveness and elasticity of the cloth, his conduct would aptly illustrate the modern monetary legislation of the Occidental world.

The tenant can only raise so many bushels to the acre, and for some reason he doesn't understand, can only get threefourths the old price, but is required to pay customary rent in money. The landlord is not to blame for the fall in prices, and only asks his usual rent, for to take less he could not meet the fixed charges which by the adjustment of the past enchains him and his estate. Then comes the "statesman," backed by the professor, and mocks his distress by the sartorial diagnosis that the change is all in the products, that the value of money has not changed, 20 shillings still make a pound and 100 cents a dollar. To answer that foolishness according to its folly one must say: Very well, if the value of goods having lessened and money remaining "just the same" brings distress, idleness and starvation in the midst of plenty, why not change the value of money to correspond?—take away the restriction to the spontaneous increase of intrinsic primary money, which legislation has since 1870 imposed, and we shall have relief. The "fit" of the coat is not an important thing to be preserved when the "fit" of the body is lost. Plethora of goods could never work commercial distress if there were permitted a corresponding plenty of instrinsic money.

Our professor insists, and it is one of the errors of deduction from the central fallacy, that since paper money does about all the work the changed market relation between money and goods (fall of prices) does not indicate any shortage of metallic money. Once that mother error I have sufficiently exploded is out of the way, all such follies would vanish like ghosts at sunrise. That central error, viz., that gold money has a fixed value, spawns them all. To one who clearly understands, gets a firm grip on to and makes vital and fecund in his thinking, the definition of value and its nature as a swapping rate, as a ratio of market equivolence and nothing else, all such propositions become transparent fallacy.

There is nothing in the entire dynamics of value more surely guaranteed than that the swapping rate of two things, for which, as for money on the one hand, and the great food and fabric staples on the other, the desire is constant and insatiable, will always vary according to the quantity variation, not of one term alone, but of the ratio of the two terms. Constancy in swapping rate in such a case can be maintained only by having the quanity offered of each term vary synchronously and equally. Banking and other expedients for multiplying representative money are indeed great economizers of intrinsic money, but their agency does not at all invalidate the truth of my proposition, though they do tend to obscure it with unthinking people. A strong east wind may temporarily raise the lake level at Detroit, but in sizing up the factors of permanent level, the wind may safely be left out of the account. A sound business instinct keeps a sharp eye out on the quantity of primary money obtainable and shapes its futures to that.

It is an unspeakable amazement to me that so eminent and able a publicist as D. A. Wells is in thrall to the same elementary misconception. In late articles in the Popular Science Monthly he insists that there is no need to inquire anything about the money side at all, since the fall in prices can be traced directly to the great expansion of the arts and appliances of production. My triumphant contention is that such an increase of goods offered in the market could not lower their price or swapping rate with money only on condition that there is *not* a corresponding increase in the money volume. Mr. Wells further suggests that if a short supply of gold is the cause of the fall in prices there would be an exactly parallel fall of every particular article of goods, whereas the fact is that the

price of gum—Arabic, cochineal and ivory have advanced. It is a pity to protract this already too long discussion to answer such a cavil. It must suffice to say that the articles named are not staples that hug close to the permanent needs of society but are articles of taste and luxury, cutting a comparatively small figure in commerce. Value lying in estimation, these things are peculiarly open to the influence of caprice and fashion; they may easily rise in price or relation to money while they are rising still more in wheat and cotton and iron value. Enlarged uses by change of fashion raises value the same as diminished supply.

The absolute, universal and only criterion—as to whether there is shortage or excess of any particular thing is: Does it maintain its customary swapping rate by reference to some large normal average in the past? Assuming a dollar a bushel for wheat as a normal and healthy swapping rate, then if, as happened the past summer in Chicago, that rate changed to ⅔ or 3-2, according as you express it in one or the other unit—then be dead sure there was scarcity of money in the wheat market and excess of wheat in the money market—a relation which drives wheat growers to a less production of wheat unless the old-time quantity relation is restored by increase of money.

Mr. Wells says, and I agree with him, that in the large aggregate of all prices 30 per cent. is about the fall experienced since 1873. It sorely embarrassed me to have to say, that in so saying, he does not seem to know that he affirms a rise in the value of money of 43 per cent. If a man doesn't know what appreciation of value is when it is right befor his eyes—when it is even on his own lips, what competence has he for any discussion of causes of value change?

If the mint were open to the free coinage of silver of course the value of the coin would be just the same as the metal in it, for anyone would have the legal right and actual privilege of taking 412½ gr. standard silver and demanding its exchange for a coined silver dollar. Casting out of the account now for the moment, the larger dynamic effect of such a measure—and especially its tendency to draw gold to the ratio of 1-16 it is plain that the direct immediate effect would be to raise prices by all the difference between the bullion and the current dollar. If the bullion is worth 70 cents in gold and wheat is worth 70 cents also, then must wheat come to a dollar a bushel, and the same increase in cotton, iron and all goods. "Oh, that would cheapen the dollar by 30 per cent." Exactly that, but if that is simply undoing the cruel appreciation of the last fifteen years who shall say it is not righteous and beneficent?

To recover to prices the 30 per cent. lost is to lower the value or purchasing power of money 43 per cent., and if that can be done simply by a repeal of a bad act of legislation and restoring an economic effect that—but for that act—must have saved us much of the suffering of the past fifteen years, why not do it? The money term of the deranged ratio is the only term that has been interfered with, or that legislation can directly control; and it is plain that such perverse control or limitation is the guilty cause of our commercial and industrial distress in the midst of plenty.

Space will not permit the discussion of many questions of exigent importance that arise just at this point, for I set out to expose one chief error, viz., that gold money may remain of just the same value while all things around it were falling in price. Once that ineffable nonsense could be got out of the way right conclusions would follow.

If the discussion shall seem to the reader, gentle or otherwise, too highly seasoned with contempt, let him re-read and fully realize the emptiness of the utterances criticised and his censure will turn to admiration at my forbearance. Then let him tell me, if he can, what this closing sentence in the professor's article means: "From this it follows that as a standard of payment for contracts, neither gold nor silver, nor gold and silver * * * will change so as to correspond to the changes in prices brought about by a variety of causes independent of the quantity of the precious metals." Change, indeed? Change what, I pray? and in respect to what? Give it up.

The key to this exquisite confusion and obscurity is found in the imbecility that does not see that the "change so as to correspond" the professor says will not occur consists in, is identically and disastrously the very change of prices he is talking about, no matter how brought about. Whenever goods increase in quantity and there is not a corresponding increase in the money volume an imperious commercial equilibration can redress the situation in no other way than by a

rise in the value of money—fall of prices. Increase of production of the money metals won't affect the value of money if its fabrication into standard coin is forbidden by law. Allow the same forces and variety of causes increasing goods to play freely upon the money volume—then would the increase of money diminish its purchasing power, swapping rate, value, and would so countervail the lowering tendency of prices and give uniformity to them in the midst of abundant goods and abundant money; and uniformity of prices as before shown is the same economical fact as constancy in the value of money. Improved prices come to stay, changes "hard times" into universal joy. Because price is the swapping rate or ratio between a unit of money and a unit of goods in terms of the former, a change in the price is simply a new ratio of market equivalence consequent on and expressive of the changed ratio of quantities of each offered in the market. Those two ratios, viz., price and the ratio of quantities offered, are, to use a technical word, functions of each other, i. e. each implies the other. Paroxisms of feeling based on expected changes in the money and goods ratio, discounting an apprehended future, may temporarily overdo it, but that overdoing will speedily be justified or corrected by the event.

It seems opportune and I therefore reprint the diagram of fluctuations in the value of money first published in the PLAIN DEALER in the spring of 1886, and afterwards published in the Congressional Record of April 15th of the same year. The composite commodity unit employed is the one devised by W. M. Grosvenor, whose organ, "The Public," has been suspended ever since, so that I am not able to get his later computations. It is greatly to be regretted, for that unit is of incomparable service in this discussion.

We can approximate to the course the currency (gold) line has taken since 1885, by reference to the price of the cereals especially wheat. The diagram shows that the 28 per cent. in the value—purchasing power of gold money, lost up to 1868 was recovered again in 1874. It is conceded all around that since 1873 the general range of prices has fallen 30 per cent., which would carry the currency line on our diagram 48 points above the par of 1860 and 1874;—a value of gold money greater than history records since market statistics began to be kept. Now assuming the unrestricted use of silver for money, would not alter its market relation to goods and gold, then as soon as the "dumping" process began, wheat from 70 cents would rise to $1 a bushel, for such a condition would make our coin and current dollar to be "intrinsic" silver. All prices would be affected the same way. That means a restoration of the good times of 1873, for good times is good prices and hard times is low and lowering prices. Those who hold that legislation has no particular effect upon the value of gold and silver must concede a general rise of prices, on a silver valuation. If it is claimed that no such effect upon prices would follow, then if wheat remained 70 cents alike in gold and silver, it would compel, it would be equivolence in the wheat market between 412½ grs. silver and 25⅞ gold, that is, those two coins would be equal in value "intrinsically," in other words the entire mass of silver in the occidental world—dumped and undumped,—have a value to gold of 16 to 1; in which case the evil of a departure from that ratio would be cured for the whole world; and we should still be at a gold valuation though on a legal double standard. One or the other of those extreme results in market relations, would result or some compromising adjustment between them would come. My individual judgement is that the natural economic effect actually accruing under such an enlargement of the volume of intrinsic money would be the market rise of prices about that, and a bringing down of the value (purchasing power) of gold, to near 1 to 16; our legal ratio. For the vital elementary principle involved is, a money volume limited to one metal, has given to each unit of money a greatly increased value, from what it would have under free competing or co-operant conditions of both metals. By reference to the diagram it will be seen how Greenback competition drew down the value of gold, say in 1868.

But suppose we get out of harmony with abroad, in our money standards. An enormously exaggerated importance is popularly attached to a fixed par of exchange with London. Converting or convertability of our money into foreign money does not constitute a thousandth part of the beneficent uses of money, nor is essential to its efficiency in those uses, by comparison to its relation to goods. That money should be healthily and normally related to goods, is the paramount

concern in a constitution of money. The hardship of getting back to coin after the war was not due at all, to the relation our current Dollar had to a pound Sterling. All the evil was occasioned by its changed market relation to other property—fall in prices. That and nothing else. Better for us to be in harmony with the Orient whose silver valued cereals and fabric staples are cutting the heart ont of the European market for our great exports. In that regard "Abroad" is a matter of vital concernment. Suppose we had to pay six or seven silver dollars for a pound of sterling, would not we have them in proportionally increased number to pay and who would be hurt by it? Our wheat and cotton would swap for as much foreign cutlery and silk if both are computed by "depreceated" silver as by gold, true at a higher scale of money valuation all around, but a low scale of money valuation all around is what is the matter with the times. I repeat a fixed par for foreign exchange is a mere matter of convicnence in book keeping, and a bagatelle in comparison with a restoration and preservation of normal and healthy prices,—good times.

Let the thoughtful reader ask himself how valuable a dollar *ought* to be. What would be a fair or equitable and honest value in payment of past contracts, and what a healthy and beneficent one for the future of business? Cut loose from all class interest or bias an intelligent person could find but one answer, the same that applied to every exchangable thing. The swapping rates of every thing is fair and honest if the result of spontaneous adjustment under free condition. Any restriction of natural supply in so far as it effects swapping rate is wrong. A money unit at bottom never was not a duly certified quantity of money metal, at present gold; and every money "future" is an investment in money metal. Is it any duty of government to discriminate in favor of that form of investment and against all other forms of capital—to legislate to "keep up" the value of standard definition money? It is of course the duty of every one, a state, a corporation or an individual that issues any kind of sscondary money, paper or subsediary coin to keep it at par with intrinsic money, by convertability on demand into the thing dollars, it stands for. All right thinking people condone our governments dereliction in that duty during the war, though we now see it was an economic blunder, an inevitable wrong in the first instance and a still deeper wrong in the righting of it. But the worst thing about the whole business of that supposed righting process was that by its instrumentality, the public intelligence (or stupidity) was suborned into a belief that if it was right to bring Greenbacks to par with coin, then it would be "much more righter still" to raise the value of coin itself 43 per cent in value by restricting the out put of the mint. Very likely the people thought little or to little purpose about it. Possibly no body understood what the measure would bring forth. I am very sure had my opinion been asked and I given months for its study, I should not have foreseen, or even comprehendid the economic principles which made the result inevitable, now clear as noonday to me. At all events that bad Act of 1873, made it possible that standard money should appreciate as it has since then 43 per cent. in value. It is therefore strictly correct to say that the Act of 1873, caused the appreciation, although to what extent that economic effect would have followed without the concurrent action of Europe might be hard to say.

"If cheap money is what you want why not coin puter." The smartness of that sarcasm would vanish if the flippant perpetrator knew just a little. He does not seem to have a dictionary and plainly thinks "Dollars" means "Anything that"—the formula by which his definition of that word would start out. Our remote ancestors attached a kind of sanctity to a rude stone, when it has been set up to mark a boundary. They had a divinity, a god "Terminus" whose divine quality entered into and was symbolized by a stone so dedicated to the sacred use of defining territorial rights of individuals and social groups. To remove a monument consecrated to that high use, was sacrilege with the death penalty. Since history began down to this hour, just two metals have been money metals, and no third. It is not necessary to my immediate point to call attention to the priority in point of time and rank of silver, and that always when a money name was given by usage or statute to a gold coin it was a name that first was silver and the quantity of gold was adjusted to the actual, then market relation of gold to silver, the latter always having the controling and defining office. But that primacy is not necessary to be emphasized for my present point. It has come to be that our own money unit is either a

duly certified weight of gold or silver. When the fathers determined that 371¼ gr. pure silver should go to the making of a dollar it was no arbitrary innovation. They did what every decent legislature always does in such matters, rendered precise and definite what was before actual, but a little varyable and uncertain in practice. Regard in such matters must be had, to deep down mental habits and definitions. A dollar is not such by virture of it having any particular value. A dollar is not "a value,"—whatever that may mean. It is a definite silver or gold coin. Because I am content to take a hat, a days work, or a load of manure, or a written promise, in lieu of that coin does not make any one of those things to be a dollar. Market equivalence ordinarily satisfies in transactions; but if there is no such thing as a well understood *thing—dollar*, by reference to which such an equivalence can be verified and ascertained "A value" is no where and no what. As well retort, at ones complaint—that flour was too dear—Oh! if you want cheap flour, better make your barrels smaller and fill them with sand. No, no, my brilliant and sarcastic friend, we will not tolerate the impious act of changing settled definitions by fabricating dollars out of anything else or anything less than precisely what a thing dollar is and always was. A word and a thing measuring and defining every thing that goes into commerce and enters into contract obligations is not a matter to be trifled with. Never since language was spoken, could the divinity more emphatically and significantly be affirmed of "The word," than when it is the measuring unit nestling at the core of every business contract under the sun. And with all religious seriousness I affirm that, judged by its effect on the general weal, never was a wickeder sacrelege done than the attempt to remove that sacred land mark—never a more profligate and profane intelectual quality shown than goes with the current notion that government may enlarge or restrict the effective meaning of that word at its caprice, and sovereign will.

No body pretends to—not one in ten thousand has any occasion to try—or if he tried could compute or express wealth in any other than money words, and the very thing the word stands for scarcely comes into the popular consciousness. Every thing that enters into commerce, every economic quantity must submit to that one mode of expression. It is the form into which, do what we will, every vendible thing must be translated before it enters commerce or contract at all. Business refuses to budge an inch till computation in money is made. Till that, it will not transact. If that computation reveals that in the final consummation it comes out fewer dollars than it went in, it is no go, though idleness and starvation impend. Precisely that on a large scale must and will impend if money appreciates; and appreciate it must, if its volume does not expand approximately as goods increase. Money always was, and always will be at bottom a, unit of the money metals. It so comes to pass that those metals are the instrument of all business; and printing is not more the art preservative of arts than is gold and silver production the industry creative and preservative of industries. That normal increase in the aggregate out put of the mines which accompanies increase of goods, will be balked of its natural beneficence if silver is forbidden to be freely used for money. This is the high purpose to which from time immemorial it has been dedicated, and for that very reason it has become and must long continue to be vastly superior to gold in that prime requisite of money standard, viz: constancy in swapping rates with goods.

It must be apparent to the attentive reader that the changed market relation stigmatized as the the fall of silver—is by the test of goods—the only possible test of the value of money, is really appreciation of gold, compelled or made inevetable by restricting freely coined money to it alone. There is no such thing as rock bottom or ultimate hard-pan in that down grade of prices; because no one can say upon a mono-metalic constitution of primary money, what may be its future quantity ratio to goods. Whereas constituted on both metals we can say that the aggregate production of both metals will tend powerfully to make that ratio constant.

Free banking facilities with the natural duty to keep paper convertable on demand, cannot compensate for that restriction. All of both metals that energy and skill can produce freely coined will give to money a value in goods compatable with the natural equities and give universal prosperity.

I stated that the absolutely universal and infallable test of the shortage or plethora of any economic quantity is its swapping

with other things. Let the thoughtful reader try it with anything. Take coffee, last year it was 15 cents now it is say, thirty cents a pound. I affirm that means a short supply of coffee. My statement would not be impugned by showing that the custom house reports showed just the same importation of it as for last year. For a true economic theory and for a sound business practice, the passage is always a sound logical one, from a high swapping rate to a shortage. For supply in economics is also a word of relation, and points for its second turn into all other things which do and may be exchanged for it. So if it takes more of each, or more of all other articles to procure a unit of coffee there is a short supply. No matter what our theory of causes is, no matter what in fact is the cause, as a question of economic statics the supply in market is short. And an increase in the quantity. other things remaining the same, would restore its former swapping rate. Suppose now under such a condition of high swapping rate for coffee with all things, I find there has been a law prohibiting its importation. I would be right in saying, that law was the cause of the high price, and if my opponent denying the legislative effect should still object, to a repeal of the law lest we should have large quantities of cheap coffee dumped on our shores he would commit a manifest stulification. I might quite agree with him as to the injurious effect of a repeal, if I had a large stock of coffee on hand or if I was on the "long" side of extensive futures in coffee.

I am very sure only a little pondering by the serious reader will make him see the dead give away of the whole pretense that low prices—(appreciated money) has no causal relation to demonetization, when those who so affirm, in the next breath object to a restoration of free coinage on the express ground that we shall forthwith be "flooded" with depreciated dollars. The mean insinuation is that only an "appreciated" dollar is a true dollar, and that the silver dollar (freely coined) will be a "cheap," a disgraced adulterated "clipped" dollar, not by a chemical or weight test, but by reference to a dollar whose value, purchasing power, has become abnormally enhanced over 40 per cent. An examination of the silver line and the gold line in the diagram will show what the so called fall of silver was in respect to goods. Silver by its solid place in the confirmed habitual estimation of 50 centuries of human uses, as an instrument of valuation, still stands approximately, constant in its swapping rate with goods, and it is a missnomer implying bad thinking to call silver money, at bullion value "depreciated" money. No doubt the achievement of the present great appreciation of money is accounted a big, a grand thing. So it is, temporially for certain special interests, comprising a class, small in number, but powerful in controling legislation and popular opinion. It is a melancholy fatality that the conscience of an unthinking public has thereby been suboned into the notion that a very high money is a very honest money, and that it is a sacred duty of the government, especially towards its creditors, to resist the oppressive command of dollars over goods. Accordingly they ply the public ear with the cry that all this silver craze means is a wish to cheat somebody;—a desire to pay off debs in less than a "100 cents to the dollar." "Oh, you want a cheap dollar, well make it of puter then. Oh, you want a cheap coffee, well make it of saw dust. No, no, we want no cheapness that comes of lessened weight to a unit or deteriation in quality, but a cheapness that comes of abundance of the genuine article, not because we want to load down our pockets with metal, but because there can be no safe and sound constitution for paper money only where there is an ample volume of intrinsic dollars behind it in the vault.

As the foregoing goes to press, I notice Mr. Wells' Article, No. VI, in the December Popular Science Monthly, wherein the central fallacy is so conspicuons as to almost make it a case of indecent exposure.

He says an ounce of silver will exchange for as much of the great staples, and almost all other commodities as ever. And then as I understand him, denies any appreciation of gold, saying the great fall of prices all along the line cannot be shown to be *due* to appreciation of gold!! "Due!"

Let me give a few definitions of chief words:

A Dollar is a standard coin of a money metal.

Value is market equivolence,—a ratio at which things exchange.

The value of a particular thing is any of the thousand and one things that swaps even for it.

Price is that particular mode of value wherein the market equivolence is given in terms of dollars.

Price is therefore the ratio between a unit of goods and a unit of money expressed in terms of the latter;—the ratio at which those two terms swap.

Anything *depreciates* in value when it swaps at a lower rate;—has a less command over other things.

It appreciates in value when it *avails* more —swaps for more in market.

Now I will venture the assertion, that there cannot be found a school boy in any high school in the land, who, equipped with those elementary definitions, and having carefully read the foregoing exposition, but will pronounce the fundamental assumption in Mr. Wells' article a betrayal of intellectual incompetence for the discussion.

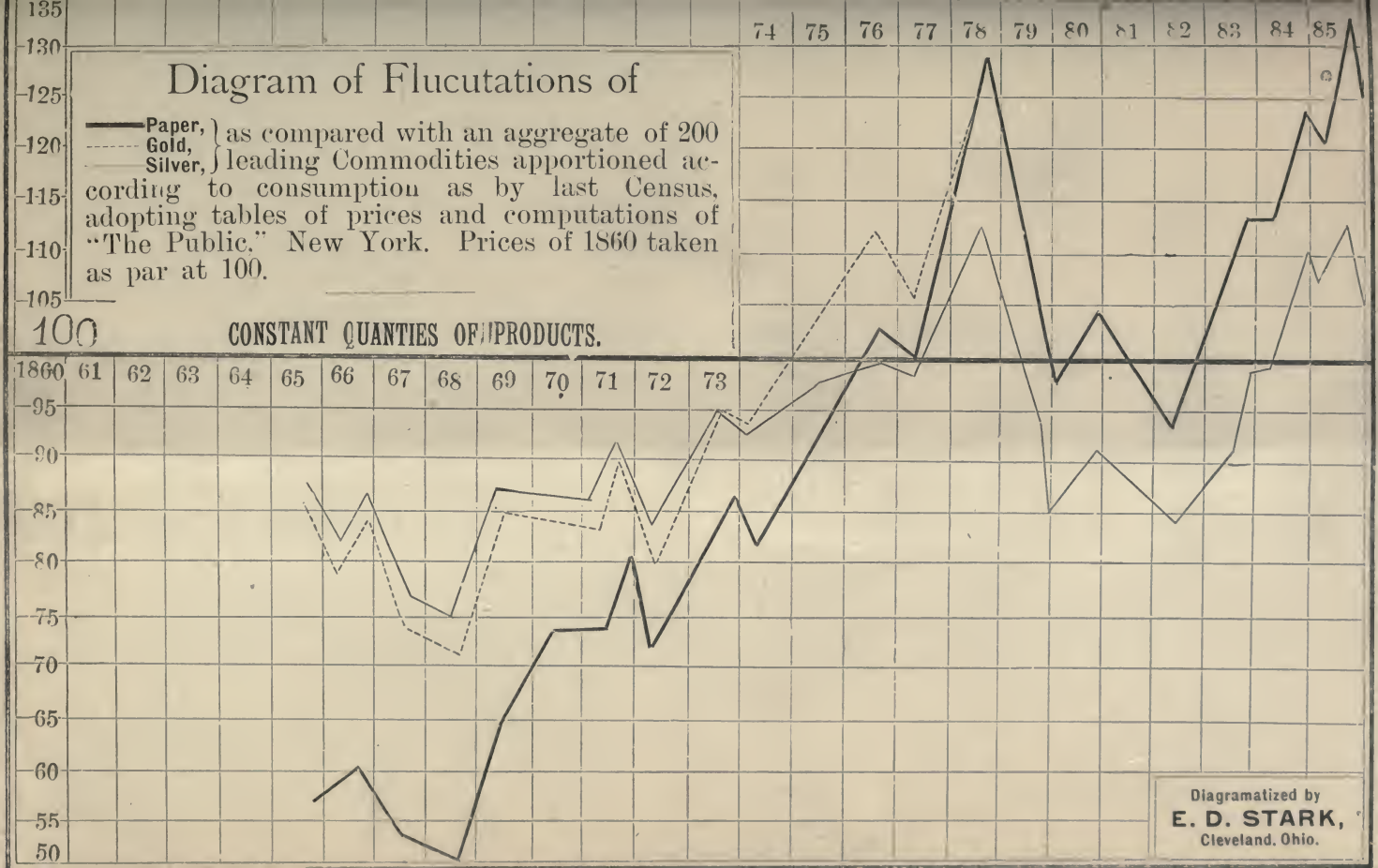
Diagram of Flucutations of
Paper,
Gold,
Silver,
as compared with an aggregate of 200 leading Commodities apportioned according to consumption as by last Census, adopting tables of prices and computations of "The Public." New York. Prices of 1860 taken as par at 100.
100
CONSTANT QUANTIES OF PRODUCTS.
1860 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85
135 130 125 120 115 110 105 95 90 85 80 75 70 65 60 55 50
Diagramatized by
E. D. STARK,
Cleveland, Ohio.

RETURN TO: CIRCULATION DEPARTMENT
198 Main Stacks

LOAN PERIOD Home Use	1	2	3
	4	5	6

ALL BOOKS MAY BE RECALLED AFTER 7 DAYS.
Renewals and Recharges may be made 4 days prior to the due date.
Books may be renewed by calling 642-3405.

DUE AS STAMPED BELOW.

APR 16 2000		

FORM NO. DD6
50M

UNIVERSITY OF CALIFORNIA, BERKELEY
Berkeley, California 94720–6000

4878/
PS
UNIVERSITY OF CALIFORNIA LIBRARY